

Message Text

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PAGE 01 BUENOS 06343 192159Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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PASS TREASURY, COMMERCE

E. O. 11652: N/A

TAGS: EFIN, EGEN, AR

SUBJECT: NEW GOA PRICE CONTROL PROGRAM

1. SEPTEMBER 15, NEW SECRETARY OF COMMERCE, GERARDO MENDOZA, MADE TV SPEECH TO NATION ANNOUNCING NEW GOA PRICE CONTROL PROGRAM. MENDOZA SAID GOA SEEKING MIDDLE GROUND BETWEEN PRICE FREEZE WHICH CREATES SHORTAGES AND LIBERALIZATION LEADING TO PANIC. HE EMPHASIZED SHOCK POLICIES NOW OVER, AND GOA WOULD IMPLEMENT GRADUALIST APPROACH TO PRICE CONTROL. MENDOZA SAID KEY CONSUMER ITEMS WOULD BE TIGHTLY CONTROLLED, ALONG WITH PHARMACEUTICAL PRODUCTS, WHOSE PRICES HAVE INCREASED SHARPLY IN RECENT MONTHS. WEAKER SECTORS, HE CONTINUED, MUST BE DEFENDED AGAINST MONOPOLY ELEMENTS AND CONSEQUENTLY PRICES OF ABOUT 500 LEADING COMPANIES ALSO WOULD BE CONTROLLED. SECRETARY OF COMMERCE, HE CONTINUED, INVESTIGATING CAUSES OF PRICE SPIRAL SINCE FEBRUARY 28, 1975 AND ABUSES WOULD BE PUNISHED.

2. HIGHLIGHTS OF NEW PRICE CONTROL PROGRAM, CONTAINED MINISTRY OF ECONOMY RESOLUTIONS #33 AND #34, AS FOLLOWS:
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PAGE 02 BUENOS 06343 192159Z

....IN GENERAL, COMPANIES ALLOWED TO MODIFY PRICES
ACCORDING TO COST INCREASES.

....CURRENT PRICES SET AS MAXIMUM FOR 23 BASIC CONSUMER
PRODUCTS. PRICE CHANGES FOR THESE ITEMS REQUIRE SPECIFIC
AUTHORIZATION SECRETARY COMMERCE.

....PRICES OF ALL ITEMS MUST BE CLEARLY MARKED FOR PUBLIC.

....COMPANIES WHOSE GROSS SALES EXCEEDED 60 MILLIONS PESOS
DURING PRECEDING TWELVE MONTHS MUST APPLY TO SECRETARY
COMMERCE TO RAISE PRICES IN CASE OF 23 OTHER CONSUMER ITEMS.
PRICE CHANGES MAY BE IMPLEMENTED TWENTY DAYS FOLLOWING DATE
OF APPLICATION IF NO OBJECTION MADE BY SECRETARY COMMERCE.

....APPROXIMATELY 500 LEADING COMPANIES MUST ALSO MAKE
PRIOR APPLICATION TO SECRETARY COMMERCE TO CHANGE PRICES.
CHANGES MAY BE IMPLEMENTED TWENTY DAYS AFTER APPLICATION
IF NO OBJECTION. HOWEVER, PRICE CHANGES FOR CONSUMER ITEMS
PRODUCED BY THESE LEADING COMPANIES REQUIRE DIRECT
AUTHORIZATION OF SECRETARY COMMERCE.

....PRICE CHANGES FOR ALL PHARMACEUTICAL ITEMS REQUIRE
AUTHORIZATION OF SECRETARY COMMERCE.

....ALL COMPANIES WITH GROSS SALES EXCEEDING 100 MILLION
PESOS IN PREVIOUS TWELVE MONTHS MUST INFORM SECRETARY
COMMERCE OF INTENTION TO IMPLEMENT PRICE CHANGES. CHANGES
MAY BE IMPLEMENTED IN TWENTY DAYS IF NO OBJECTION FROM
SECRETARY COMMERCE.

....IN ESTABLISHING PRICES, COMPANIES MAY COMPUTE MAXIMUM
PROFIT BASED ARITHMETICAL AVERAGE PRE-TAX PROFIT LEVELS
OF EACH OF LAST TEN FINANCIAL PERIODS.

....SECRETARY COMMERCE MAY IN FUTURE DIMINISH PROFIT
MARGINS WHEN EXCESSIVE, PARTICULARLY IN CASE OF OLIGOPOLY
OR MONOPOLY.

....COMMERCIAL MARGINS IN EFFECT AS OF FEBRUARY 28 ARE
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PAGE 03 BUENOS 06343 192159Z

RETAINED.

....LEADING 500 COMPANIES MUST SUBMIT TO SECRETARY COMMERCE
LIST OF ANY THEIR DISTRIBUTORS WHICH ACCOUNT FOR 5 PERCENT
OR MORE OF COMPANY SALES.

....ALL PRICES OF NEW PRODUCTS MUST BE AUTHORIZED BY
SECRETARY COMMERCE.

....COMPANIES PRODUCING CONSUMER GOODS ITEMS, AND THOSE INCLUDED IN LIST OF LEADING 500 COMPANIES, MUST SUPPLY CONSIDERABLE COST AND PRICE DATA TO SECRETARY COMMERCE COVERING RECENT COST-PRICE DEVELOPMENTS. DATA WILL BE USED BY SECRETARY COMMERCE TO INVESTIGATE CAUSES OF PRICE INCREASES.

3. COMMENT: NEW PRICE CONTROL PROGRAM APPEARS QUITE TOUGH ALTHOUGH DEGREE OF FLEXIBILITY WILL DEPEND ON GOA IMPLEMENTATION. REACTION OF AMERICAN BUSINESS COMMUNITY GENERALLY HAS BEEN QUITE NEGATIVE. IT HAS NOT GONE UNNOTICED THAT MANY FOREIGN COMPANIES ARE AMONG LIST OF LEADING 500 WHICH WILL BE CLOSELY CONTROLLED.
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